



November 13, 2018

ATTN: California Customer Choice Team
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
customerchoice@cpuc.ca.gov

SUBJECT: COMMENTS OF SOLANA ENERGY ALLIANCE ON THE DRAFT GAP ANALYSIS OF THE CHOICE PAPER

Dear California Customer Choice Team:

Solana Energy Alliance (SEA) welcomes the opportunity to comment on the *Draft Gap Analysis and Choice Action Plan* ("Gap Analysis"). SEA recognizes that a substantial amount of work has been devoted to the Gap Analysis and that the Commission staff has contributed valuable research and information to the policy discussion on customer choice. SEA hopes that these comments will contribute to the continuing dialogue regarding California's evolving energy market and help inform sound policy decisions which further California's clean energy goals.

Introduction

Solana Energy Alliance (SEA) is the first CCA program located in San Diego Gas and Electric (SDG&E) territory. On October 22, 2018, CPUC published an analysis of the Choice Paper titled the *Draft Gap Analysis and Choice Action Plan* ("Gap Analysis").¹ The Gap Analysis identified policy issues associated with increased disaggregation of load and supply and conducts an internal analysis of California agency regulations and protocols to identify what regulatory gaps exist. SEA submits these comments regarding the following issues identified in the Gap Analysis.

¹ See Draft Gap Analysis/Choice Action Plan, October 2018.



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Provider of Last Resort

The Gap Analysis identifies the Provider of Last Resort (POLR) as an issue which may need both additional policy analysis, legislative action, and further regulatory proceedings.² Currently the Gap Analysis considers the problem of the POLR as what entity provides service to the LSE's customers to avoid service disruption when an LSE fails or chooses to exit the market without notice or a transition plan.³ The Gap Analysis notes that this issue has already been addressed by Decision 18-05-022 issued in Rulemaking 03-10-003,⁴ which established financial security requirements to cover both administrative costs and incremental procurement costs.⁵ However, the Gap Analysis also notes that there is no statutory or regulatory definition, or parameters, for the POLR other than the obligation to serve identified under Public Utilities (PU) Code Section 451 coupled with the nondiscrimination provisions of Section 453.3.⁶

SEA submits that there are many potential ways to identify who should be designated the POLR for a service area. Issuing a bond is one way; another way is to develop a contingency plan. For example, if CCA programs were able to obtain similar guarantees on rate recovery that Investor Owned Utilities (IOUs) have obtained, then CCA programs would be well positioned to act as the POLR in their service areas. SEA would like to propose additional workshops to identify ways that CCA programs could be better positioned to act as the POLR. Therefore, SEA agrees that additional analysis, as proposed in the Gap Analysis,⁷ is necessary and that any proposed legislation would be premature at this stage.

Price Disclosure

The Gap Analysis identifies Price Disclosure of all LSE residential rates and product offerings as an issue that may need both additional policy analysis, legislative action, and further regulatory proceedings.⁸ The Gap Analysis suggests building an online platform with information that will cover rates and programs for residential customers in a single place, such as Texas and Illinois have done.⁹ SEA fully supports disclosure and transparency as crucial elements of customer protection and choice.

² *Id* at 22 -23.

³ *Id* at 21.

⁴ *Id*.

⁵ See D.18-05-022 DECISION ESTABLISHING REENTRY FEES AND FINANCIAL SECURITY REQUIREMENTS FOR COMMUNITY CHOICE AGGREGATORS, May 31, 2018 at 14 - 15.

⁶ Public Utilities Code Section 451: Every public utility shall furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities....as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

⁷ Gap Analysis at 21.

⁸ *Id* at 29.

⁹ *Id* at 29.



However, SEA cautions that how such a web portal is designed is a very important factor. Naturally, the portal must be practical and user-friendly. Additionally, rates and product information need to be provided on an equal basis for all LSEs. Furthermore, the Commission must consider what information the portal should include in order to be useful. While it might be interesting for a customer in National City to know what the rates are for Marin Clean Energy (MCE), providing that information is not very useful and potentially confusing to the customer because that customer does not have the option of taking service from MCE. SEA suggests that the first step is to determine how the portal would work, then to determine what data is required that would be useful to the consumer. For these reasons, SEA supports additional research and asserts that legislation is premature.

Public Purpose Programs

The Gap Analysis identifies Public Purpose Programs (PPPs) as an issue that may need additional policy analysis.¹⁰ The Gap Analysis is concerned whether PPPs such as energy efficiency and RD&D will continue to receive historic levels of funding that have been included in IOU rates as a flat fee on a volumetric basis due to greater disaggregation of providers and increasing departure of customers from the IOUs.¹¹ SEA suggests that this concern may be misplaced because the number of electricity service customers is more likely to increase rather decrease in the coming years, even if they do leave bundled IOU service. Currently, IOUs are able to participate in these programs and may leverage the benefits of administering these programs to enhance their public profile. CCA programs, however, are not able to do so. PPP should be overhauled so that PPP funds and program administration duties are provided on an equitable basis to all LSEs based on customer load. SEA enthusiastically looks forward to PPP administration as an opportunity to provide its customers with lower bills and improved energy efficiency in pursuit of California's clean energy goals. Therefore, while SEA agrees that additional policy analysis may be necessary, SEA suggests that legislative action may be necessary and intends to support legislation which increases PPP availability and opportunity for all LSEs, not just for IOUs.

¹⁰ *Id* at 31.

¹¹ *Id*.



Rate Design

The Gap Analysis identifies Rate Design as an issue that may require both additional policy analysis and legislative action, suggesting that the Legislature should encourage or mandate CCAs to default their customers to time-of-use (TOU) rates and require CCAs to enroll their customers in IOU distribution TOU or dynamic rates until CCAs have developed their own TOU rates.¹² SEA is alarmed because this suggestion directly undermines not only the procurement autonomy granted to CCAs by AB 117, but also has the same undermining effect on the procurement autonomy of Direct Access (DA) providers under AB 237. Additionally, SEA cautions that customers such as businesses with fixed hours of operation may experience painful and unexpected increases to energy bills due to TOU rates, which behavior modification may or may not be able to avoid. This unpredictability could have unintended consequences, such as inhibiting increased adoption of electricity. Furthermore, other related concerns such as integration of renewable resources into the electric grid and customer indifference are already addressed in the IRP and PCIA proceedings, respectively.

While SEA understands the Commission's desire to influence customer consumption behavior in order to encourage efficient and cost-effective use of electricity, SEA rejects this intrusion on its procurement autonomy: an authority which the Legislature consciously declined to extend to the Commission in AB 117. Therefore, SEA rejects the need for legislative action in this area.

Resource Adequacy

The Gap Analysis identifies Resource Adequacy (RA) as an issue which may require additional policy analysis and further regulatory proceedings.¹³ SEA agrees that the Commission should continue to monitor its current RA efforts. However, SEA believes that the Commission's current RA efforts are sufficient and does not see the need for additional proceedings at this time. Therefore, SEA asserts that additional regulatory proceedings are not necessary at this time.

Contracting for Reliability and Resource Requirements

The Gap Analysis identifies Contracting for Reliability and Resource Requirements as an issue which may require additional policy analysis.¹⁴ SEA asserts that many of the problems identified in this issue, such as capital deployment, are already being addressed in the IRP, RPS, and PCIA proceedings. SEA believes that additional research into existing credit vehicles and new credit proposals such as coordinated multi-

¹² *Id* at 38.

¹³ *Id* at 42.

¹⁴ *Id* at 48 – 50.



party procurement and IOU portfolio securitization would help enable CCAs to play a greater role in meeting the needs of California's clean energy future. Therefore, SEA supports additional research in these areas.

Role of Investor Owned Utilities

The Gap Analysis identifies the Role of the Investor-Owned Utilities in a Disaggregated Market as an issue which may require both additional policy analysis and legislative action.¹⁵ SEA agrees that before further action is taken CPUC staff should study the impact of departing load, examine the role of fixed charges, and examine whether the current affiliate transaction rules are a barrier to retail choice. Therefore, SEA supports further analysis and stresses that any legislation to assert the public interest in the future role of the utility and the POLR is premature.

Conclusion

SEA recognizes the hard work of the Choice Project staff and appreciates the opportunity to participate via these comments. SEA looks forward to continued opportunities to engage with the Commission and other stakeholders on these important issues.

Sincerely,



Gregory Wade
Executive Director, Solana Energy Alliance
City of Solana Beach

¹⁵ *Id* at 45.



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